

## **State / County Financing for MR/DD Services – An Option**

### **Summary Thoughts**

- Counties are responsible for the non-federal share for certain Medicaid services (\$162.5M in FY 2009). Counties are also responsible for services to non-Medicaid persons.
- The state makes payments to the counties to assist in paying their obligations for these services (both Medicaid and non-Medicaid). Includes Property Tax relief, allowed growth, risk pool, MH/DD Community Services Fund. (\$169.4M in FY 2009)
- State and County have both had reduced cost for Medicaid state match due to ARRA. County savings amount was \$23.4M in FY 2009, \$40.0M in FY 2010, and \$12.2M in FY 2011.
  - The large decrease in ARRA from FY 2010 to FY 2011 creates a funding challenge for both the State and counties – 'ARRA cliff'.
- The Medicaid costs have grown at a faster rate than the state payments to counties.
  - The county Medicaid billings are now nearly equal to the amount the State appropriates to the counties for property tax and other relief.
  - The county property tax revenues do not grow as fast as the Medicaid State Match costs, and in each individual county, the ability to manage that growth with a single tax revenue source and more static revenue base is limited in the long term.
- In addition to the 'ARRA cliff' in FY 11, Medicaid costs will likely to continue to grow at a faster rate than the State payments to counties, exacerbating the county financing issue.

### **Option to Consider**

Consider phasing out both the County obligation to pay Medicaid state match, and the State payments to the counties for property tax relief, etc.

- The phase-down could be structured so that the Medicaid state match costs are phased-down faster than the State payments to the counties, so that there is a net gain to the counties to assist with the 'ARRA cliff' in FY 11.

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- The benefit of this proposal is that it places the burden of financing Medicaid state match on the State, which has more capacity to absorb the growing costs, than local property tax. Provides a long-term financing strategy, while also addressing short term county shortfalls.